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## BLOWIN to BIts

The Impact of the 'New Economy' on the Structure of Business

Congressional Budget Office Briefing

June 6, 2000

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## THE ECONOMICS OF INFORMATION

**Traditional** Tradeoff Customization, Interactivity) (Bandwidth, "Richness"

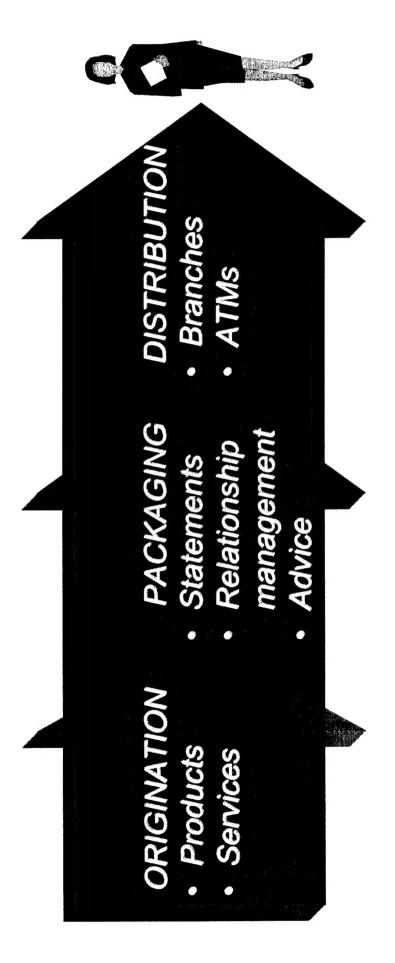
and Standards

Connectivity

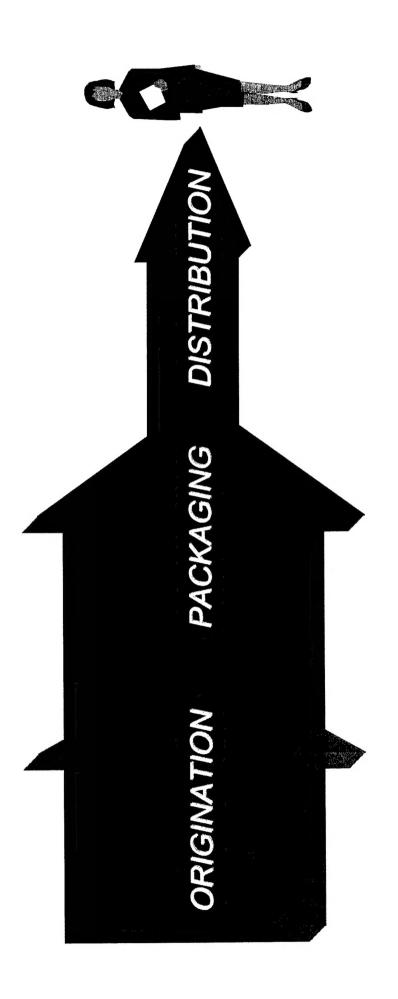
Impact of

"Reach"

#### THE PROPRIETARY PHYSICAL VALUE CHAIN Retail Financial Institutions



### THE PROPRIETARY ELECTRONIC VALUE CHAIN Retail Financial Institutions



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# THE DECONSTRUCTED VALUE CHAIN

Retail Financial Services

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#### DECONSTRUCTION

#### Connectivity and open standards

- Separate the economics of information from the economics of things
- Blow up the trade-off between Richness and Reach

These two events undermine proprietary information channels, and melt the informational "glue" that defines businesses and business relationships

- Value chain definitions
- Distribution channels
- Customer searching and switching costs
- Supply chain relationships
- The firm's relationships with stakeholders (investors, employees)
- Organizational structures and boundaries